



05 10612 DPW

March 21, 2005

Commonwealth of Massachusetts
 Office of Consumer Affairs and Business Regulation
 10 Park Plaza, Suite 5170
 Boston, MA 02116

RE: Complaint of Robert J. Gallagher
 688 Boston Post Road, Unit 103
 Marlborough, MA 01752

To Whom It May Concern:

This is in response to a complaint of "unfair and/or deceptive act and/or practice" against Citizens Bank of Massachusetts by the above referenced individual.

On February 17, 2005, Robert J. Gallagher applied for a home equity line of credit with Citizens Bank of Massachusetts. Mr. Gallagher applied over the telephone with our PhoneBank. During the application process, the PhoneBank representative quoted the rate on the line of credit to Mr. Gallagher as Prime minus .51% (all telephone conversations are recorded).

On February 24, 2005, Citizens Bank mailed a Home Equity Disclosure Booklet to Mr. Gallagher. The first page of that booklet states, "The disclosures in this booklet contain important information relating to your Home Equity Line of Credit....Please read these disclosures carefully." Item No. 1 on Page 8 of that booklet states, "All of the terms described below are subject to change." Additionally, Page 12 of that booklet discloses how the rate is determined, namely, "The Annual Percentage Rate is based on the value of an Index. The Index is the Prime Rate published in the Money Rates section of *The Wall Street Journal* on the last business day of the month."

On the last business day of January, the Prime Rate listed in the Wall Street Journal was 5.25%. Consequently, the Prime minus .51% Rate quoted to Mr. Gallagher translated to an Annual Percentage Rate of 4.74%. At no time did the PhoneBank representative or the Branch personnel ever indicate to Mr. Gallagher that this rate was a fixed rate. It is the business practice of all Bank personnel to quote our variable rate line of credit rate as Prime plus or minus a Margin.

Mr. Gallagher's loan was scheduled to close on March 11, 2005. The Prime Rate published in *The Wall Street Journal* on the last business day of February was 5.50%. Therefore, the Annual Percentage Rate printed on Mr. Gallagher's closing documents was 4.99% (Prime Rate of 5.50% minus .51%).

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We take Mr. Gallagher's charge of "unfair and/or deceptive act and/or practice" very seriously. Our line of credit product is a variable rate product. Our employees are carefully trained on how to appropriately explain the product to the customer and in no way are they trained to be deceptive. Our disclosure booklet, which is provided to all line of credit customers, fully explains how the rate is calculated and that it is based on a variable Prime Rate and the frequency with which that rate can change.

We have enclosed a copy of our Home Equity Disclosure Booklet for your reference. Please contact us if you require further information.

Sincerely,

Cheryl J. Gale
Compliance Manager
Retail Lending Services
Citizens Bank

cc: 1. Federal Trade Commission (FTC) Bureau of Consumer Protection
 2. Board of Governors of the Federal Reserve System
 3. Sarah A. Thornton, Clerk of Courts, U. S. District Court of Massachusetts
 4. Mr. Robert J. Gallagher

Enc.: Home Equity Disclosure Booklet